



FIELDS STORES LIMITED 1969 ANNUAL REPORT

FIELDS STORES LIMITED

*and its wholly-owned
subsidiaries*

COVER PHOTO:

Fields Department Store,
Brentwood Centre, Burnaby, B.C.

The number of Fields stores in British Columbia presently stands at twenty, including family clothing units, junior department stores and full line major department stores. Within the next few months, it is anticipated the number will increase to twenty-two.

DIRECTORS

JOSEPH SEGAL,
President,
Fields Stores Limited

GORDON J. CHAPMAN,
Vice-President,
Fields Stores Limited

C. FREDERICK GRAVES,
Vice-President,
Fields Stores Limited

JOHN G. CHASTON,
Vice-President,
Pemberton Securities Limited

JOHN E. HOEGG,
President,
Grouse Mountain Resorts Ltd.

MORLEY KOFFMAN,
Barrister and Solicitor

W. CECIL WAKELY,
President,
Wakely Insurance Agencies Ltd.

MORRIS J. WOSK,
President,
Blue Boy Motor Hotel Limited

OFFICERS

JOSEPH SEGAL,
President and Chief Executive Officer

GORDON J. CHAPMAN,
Vice-President

C. FREDERICK GRAVES,
Vice-President,

MORLEY KOFFMAN,
Secretary

SOLICITORS

FREEMAN, FREEMAN, SILVERS AND KOFFMAN

AUDITORS

YOUNG PEERS MILNER & CO.
Chartered Accountants

TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY
455 Granville Street,
Vancouver 2, B.C.

HEAD OFFICES

2540 E. Hastings Street
Vancouver 6, B.C.

Listed Vancouver Stock Exchange FSL

PRESIDENT'S REPORT

To the Shareholders:

On behalf of the directors, it is my pleasure to report a most successful year in all areas of operation for your company. Sales and earnings set new records, our working capital position was increased substantially, and a number of new outlets were opened or acquired.

During the past year we expanded our department store division with the purchase of three former Hudsons Bay Company Stores in Powell River, Nelson and Kimberley. These acquisitions, together with our department store at Williams Lake provide a sound base from which a vigorous growth program can be launched.

At the same time, we have increased the family clothing division to 12 stores, a gain of two during the year, and have strengthened the soft goods importing division through the acquisition of Diamond & Co. Ltd. in Winnipeg. Also included in the Fields group at the present time are four junior department stores, a wholesale division and a men's clothing manufacturer.

The active expansion program of the past year has been accomplished without impairing earnings. Net income for the fiscal year ended January 2, 1970 was \$879,729., including non-recurring gains of \$59,000., compared with \$508,562. for the 1968 fiscal year. This represents an increase of 73 percent.

Earnings per share increased 53 percent over 1968 rising to 46 cents per share compared with 30 cents in the previous year. The per share earnings increase is based on an average of the number of shares outstanding for the fiscal year as your company issued 300,000 shares in April, 1969 and an additional 200,000 shares in December 1969.



Working capital was increased by \$3.5 million with \$1 million coming from operations and an additional \$2.5 million from the issue of capital stock.

Sales volume doubled to \$12.24 million, from \$6.1 million in 1968.

During the year your company relocated its distribution centre and head offices to much needed larger premises at 2540 East Hastings Street in Vancouver in order to service more efficiently the greater number of stores now in operation.

At the same time it gives us 50,000 square feet of sales area which will be renovated later this year to become our first store of this size in the Vancouver area.

We will open our fifth department store in Kamloops, B.C. in May 1970. Other shopping centre locations are being studied at the present time.

In a recent progress report to shareholders we announced that an agreement had been signed with the controlling shareholders of Hamilton Harvey Ltd., under which Fields was to have acquired 68.9 percent of the issued shares of that company.

Your directors have decided not to proceed with the proposed acquisition as the terms of the initial agreement have not been met.

The other acquisitions announced in the recent progress report, Diamond & Co. Ltd. in Winnipeg, and McKees are now integrated into Fields operations.

Our retail expansion to date has remained within the province of British Columbia. However we anticipate an entry into the province of Alberta in the near future.

Expansion plans include the opening of new outlets and the acquisition of firms which can offer substantial increases in volume and earnings and provide increased buying power for our overall operations.

Your company will continue to follow its policy of making a careful review of each new or established market area in order to relate the size and style of a particular outlet to market conditions and potential in that area.

The economic outlook for your company in 1970 is good despite the less than optimistic forecast for the retail industry as a whole. We plan to continue our present marketing policies which place emphasis on cash purchases and low operating costs with a resulting saving to the consumer. Consequently, we anticipate sales volume from all divisions to continue to grow.

The present, uncertain economic picture, makes more important than ever before, your company's practice of maintaining control and mobility which enables us to trade up or to trade down as the market demands and so keep pace with changing conditions.

This factor along with our increased buying power and greater sales facilities will enable us to serve

the price conscious consumer with greater values than has been possible in the past.

Throughout the vigorous expansion program of the past two years, your company's administrative and executive staff has been increased in order to keep pace with our rising volume and distribution activities. The additions to our staff are people who have been carefully chosen for their experience in retailing and for their adaptability.

A competent, highly imaginative group now directs the activities of Fields and we feel they are well equipped to deal with our anticipated expansion in the near future.

The executive and directors of Fields are pleased to acknowledge the dedication and loyal service of this group and of our many other employees whose efforts are largely responsible for the company's development and growth.

The impressive record of 1969 has been most gratifying and we feel sure that shareholders will echo our enthusiasm.

On behalf of the Board,



JOSEPH SEGAL
President

THE MANAGEMENT TEAM



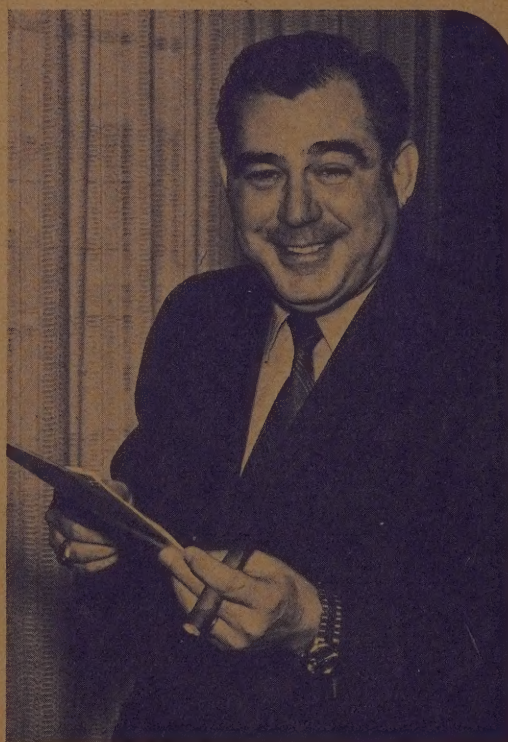
Frederick Graves

The growth and success of Fields Stores Limited can be attributed to a large number of skilled and dedicated employees directed by an experienced and highly qualified management team.

President and founder of the company is Joseph Segal who works closely with Gordon Chapman, vice-president operations and C. Frederick Graves, vice-president, finance, in directing the operations of the various divisions of Fields.

Joseph Segal has guided the company since its infancy 22 years ago and until 1967 was personally involved in every phase of his company's activities.

Gordon Chapman who has been with the firm 3 years has a doctorate in business



Gordon Chapman

administration, and was formerly a lecturer in marketing at the University of British Columbia. He had also been general manager of a ladies ready to wear chain. Today at 46 he keeps his finger on the pulse of each store's operation, while planning new store layouts and streamlining methods.

Frederick Graves at 37 has been associated with Fields as company auditor since 1959, but joined the company as vice-president, finance, early last year. His background in professional practice was predominantly in the retail and merchandising fields which equipped him well for his present position involving the administration of the company as well as the investigation and detailed study of all proposed acquisitions to the Fields group.



Fields Department Store division has grown rapidly during 1969. Beginning with one department store in Williams Lake, the division has now expanded to include three former Hudson's Bay stores. The former Bay stores, newly renovated and now bearing the Fields name, are located in Powell River (above), Nelson (lower left) and Kimberley.

One of two new family clothing stores opened in late 1969 is located at the enclosed Lougheed Shopping Mall, Burnaby (lower right). The store is similar in layout and design to other Fields stores found in shopping centres throughout British Columbia.



Fields also plan two more department stores in the near future, one in Kamloops and another in Vancouver on the site of the company's new headquarters building at 2540 East Hastings Street.

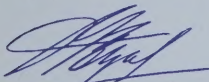
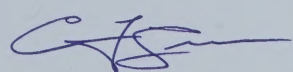
FIELDS STORES LIMITED
and its wholly-owned subsidiaries

ASSETS

	1970	1969
CURRENT ASSETS		
Cash and short-term investments	\$1,695,209	\$ 365,429
Accounts receivable, less allowance for doubtful accounts (Note 4)	1,327,142	295,943
Inventories (Note 5)	3,463,336	1,328,303
Prepaid expenses	26,678	10,987
	<u>\$6,512,365</u>	<u>\$2,000,662</u>
 FIXED ASSETS, at cost		
Buildings	\$1,351,290	\$ 471,384
Equipment	1,064,454	562,164
	<u>\$2,415,744</u>	<u>\$1,033,548</u>
Less: Accumulated depreciation (Notes 2 & 3)	692,818	518,747
	<u>\$1,722,926</u>	<u>\$ 514,801</u>
Leasehold improvements, at cost less amortization	148,309	58,432
Land	758,386	310,019
	<u>\$2,629,621</u>	<u>\$ 883,252</u>
 INVESTMENTS AND OTHER ASSETS (Note 6)	 <u>\$ 76,001</u>	 <u>\$ 34,824</u>
 GOODWILL (Note 7)	 <u>\$ 161,446</u>	 <u>\$ 151,781</u>
	<u><u>\$9,379,433</u></u>	<u><u>\$3,070,519</u></u>

Consolidated Balance Sheet as at January 2, 1970
(with comparative figures at January 2, 1969)

LIABILITIES

	1970	1969
CURRENT LIABILITIES		
Bank loans (Note 8)	\$ 206,266	\$ 219,446
Accounts payable and accrued liabilities.	1,374,314	549,133
Income and other taxes	469,869	312,185
Long-term debt instalments due within one year.	23,579	17,750
	<u>\$2,074,028</u>	<u>\$1,098,514</u>
 LONG-TERM DEBT (Note 9)	 \$ 371,697	 \$ 36,552
 DEFERRED INCOME TAXES (Note 3)	 \$ 79,926	 \$ —
 SHAREHOLDERS' EQUITY		
Share Capital (Notes 10, 12 & 14)	\$4,190,500	\$ 140,500
Retained Earnings	2,663,282	1,794,953
	<u>6,853,782</u>	<u>\$1,935,453</u>
 Signed on behalf of the Board		
		
J. SEGAL, President		
		
C.F. GRAVES, C.A., Vice-President	<u>\$9,379,433</u>	<u>\$3,070,519</u>

FIELDS STORES LIMITED *and its wholly-owned subsidiaries*

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED JANUARY 2, 1970 *(with comparative figures for 1969)*

	1970	1969
SALES.....	\$12,239,020	\$6,101,294
COST OF GOODS SOLD AND OPERATING EXPENSES (Note 11)	10,551,023	5,072,367
NET EARNINGS BEFORE INCOME TAXES	\$ 1,687,997	\$1,028,927
INCOME TAXES		
Current	\$ 746,492	\$ 520,365
Deferred (Note 3)	61,776	—
	808,268	\$ 520,365
NET EARNINGS FOR THE YEAR	\$ 879,729	\$ 508,562
RETAINED EARNINGS BEGINNING OF YEAR	1,794,953	1,286,391
	\$ 2,674,682	\$1,794,953
Deduct: Deferred Income Taxes Applicable to Prior Years (Note 3)	11,400	—
RETAINED EARNINGS END OF YEAR	\$ 2,663,282	\$1,794,953
EARNINGS PER SHARE (1970 — weighted average 1,906,666) ...	46.1¢	30.5¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JANUARY 2, 1970 *(with comparative figures for 1969)*

	1970	1969
SOURCE OF FUNDS		
Operations — Net earnings for the year	\$ 879,729	\$ 508,562
Add: Non-cash items including depreciation and amortization, deferred income taxes and deferred expenses absorbed	170,470	79,385
	\$ 1,050,199	\$ 587,947
Increase in long-term debt — net	335,145	25,982
Issue of capital stock — net	4,006,126	140,000
Special refundable taxes	8,998	—
	\$ 5,400,468	\$ 753,929
APPLICATION OF FUNDS		
Purchase of fixed assets	\$ 1,847,781	\$ 264,151
Expenses deferred	6,555	—
Other	—	18,033
Purchase of goodwill	2,915	131,781
Cash value of life insurance	7,028	—
	\$ 1,864,279	\$ 413,965
INCREASE IN WORKING CAPITAL	\$ 3,536,189	\$ 339,964
WORKING CAPITAL POSITION AT JANUARY 2, 1969	902,148	562,184
WORKING CAPITAL POSITION AT JANUARY 2, 1970	\$ 4,438,337	\$ 902,148

AUDITORS' REPORT

To the Shareholders, Fields Stores Limited

We have examined the consolidated balance sheet of Fields Stores Limited and its Subsidiary Companies as at January 2, 1970, and the statements of earnings and retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements, supplemented by the notes thereto, present fairly the financial position of the company as at January 2, 1970, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes in Note 2, with which we concur.

YOUNG, PEERS, MILNER & CO.
Chartered Accountants

Vancouver, B.C.
March 6, 1970.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at January 2, 1970

NOTE 1. Principles of Consolidation The consolidated financial statements include the accounts of all subsidiary companies, all of which are wholly-owned. The results of the operations of the subsidiary companies acquired during the year have been included only from the date of acquisition.

NOTE 2. Changes in Accounting Procedures During the year the company made the following changes in accounting procedures:

- (a) Rates of depreciation on most fixed assets were changed to conform with revised estimates of the useful lives of these assets.
- (b) The company converted from the taxes payable to the tax allocation basis of providing for income taxes.

Had the above changes not been made, net earnings for the current year would have been \$823,000.

NOTE 3. Deferred Income Taxes For income tax purposes, the company has claimed maximum capital cost allowance which is in excess of the depreciation and amortization recorded in the accounts. The income taxes, thereby deferred, amounting to \$79,926 have been provided in these accounts and will become payable in years when the depreciation and amortization recorded in the accounts is in excess of capital cost allowances.

NOTE 4. Accounts Receivable The figure appearing on the balance sheet includes both instalment and monthly accounts receivable, a portion of which may not be paid within twelve months.

NOTE 5. Inventories Inventories are valued at the lower of cost or estimated net realizable value less normal profit margins.

NOTE 6. Investment and Other Assets

	1970	1969
Investments and other assets consist of the following:		
Investments, at cost	\$ 734	\$ 2,274
Special refundable tax	—	8,998
Unamortized deferred leasing and computer programming costs	13,155	12,342
Organization costs	20,084	11,210
Life insurance — cash surrender value	7,028	—
Commission on issue of shares	35,000	—
	<u>\$ 76,001</u>	<u>\$ 34,824</u>

FIELDS STORES LIMITED

NOTE 7. Goodwill, at cost	\$135,000	\$135,000
Excess of purchase price over equity in net assets of subsidiaries acquired, at date of acquisition.	<u>26,446</u>	<u>16,781</u>
	<u>\$161,446</u>	<u>\$151,781</u>

NOTE 8. Bank Loans The company's bankers hold an assignment of loss proceeds of certain fire insurance policies. Certificates of title to certain of the company's real property have been lodged with the bank.

NOTE 9. Long-Term Debt Mortgages and an agreement to purchase real property are secured by the title to the specific real property and payable in monthly instalments at various rates of interest.

NOTE 10. Share Capital During the year the authorized share capital was increased from 750,000 shares of no par value with a maximum issue price of \$30 each to 2,250,000 shares of no par value with a maximum issue price of \$10 and subsequently increased to 3,500,000 shares.

	Number of Shares	\$
Details of Shares Issued:		
Balance, January 2, 1969	555,000	\$ 140,500
Shares issued April 1969	<u>100,000</u>	<u>2,300,000</u>
	655,000	\$2,440,500
Stock split, 3 for 1, May 1969	<u>1,310,000</u>	<u>—</u>
	1,965,000	\$2,440,500
Shares issued December 1969	<u>200,000</u>	<u>1,750,000</u>
Balance, January 2, 1970	<u>2,165,000</u>	<u>\$4,190,500</u>

NOTE 11. Cost of Goods Sold and Operating Expenses	1970	1969
The following are included:		
Directors and senior officers remuneration	\$148,016	\$134,408
Depreciation of fixed assets and amortization of leasehold improvements	101,412	79,385
Interest on long-term debt	14,203	1,558
Non-recurring gains — net	59,121	494

NOTE 12. Transactions Subsequent to January 2, 1970

McKee's Limited

On January 12, 1970, the company acquired the business and operating assets of McKee's Limited which operates three family clothing stores in Vancouver. The purchase price was approximately \$525,000 cash and did not involve the issue of any shares.

Diamond & Company Limited

A final agreement has now been completed with the shareholders of Diamond & Company Limited and Harbrook Knitting Mills Ltd. under which the company acquired 75% of the shares in the two companies.

The purchase price for 75% of the shares of the two companies was \$1.5 million cash and 65,001 shares. The agreement also provides, whereby under certain terms, the company may acquire the minority interest of 25%.

Hamilton Harvey Ltd.

An agreement was signed with the controlling shareholders of Hamilton Harvey Ltd. on January 13, 1970, under which the company will acquire 68.9% of the issued shares of Hamilton Harvey Ltd. on a share exchange basis. The consideration was one share of the company for two and a quarter Hamilton Harvey Ltd. shares. The same offer will be made to all other shareholders of that company.

The agreement anticipates the acquisition of 100% of the issued and outstanding shares of Hamilton Harvey Ltd. which total 669,000 shares. This will require the issue of 297,333 shares of Fields Stores Limited.

The company's obligation to complete the purchase is conditional on the net after tax earnings of Hamilton Harvey being not less than \$165,000 for the year ended January 31, 1970.

NOTE 13. Lease Commitments Rentals paid on property leases for the year ended January 2, 1970 amounted to \$193,446 (1969 — \$143,691). Minimum annual rentals in the next five years on property leases are:

Year ending January 2, 1971	\$233,092
1972	221,331
1973	187,182
1974	165,025
1975	149,575

Certain of these leases provide for additional rental based on sales, as well as other occupancy charges. The longest lease expires in 1994.

NOTE 14. Options to Purchase Shares Certain employees of the company have options to purchase 45,500 shares at a price of \$8.33 per share, exercisable at the rate of 9,000 shares per year.

